

Message Text

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ACTION IO-14

INFO OCT-01 ISO-00 AF-10 ARA-14 EA-09 EUR-12 NEA-10

AID-05 EB-07 IGA-02 OMB-01 TRSE-00 L-03 ABF-01

OIC-02 SP-02 EPG-02 CIAE-00 INR-07 NSAE-00 PRS-01

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TO SECSTATE WASHDC 8648

INFO USMISSION UN NEW YORK

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E.O. 11652: NA

TAGS: EAID, UNDP

SUBJ: 24TH UNDP GOVERNING COUNCIL: AGENDA ITEM 10(A) - ACTION
BY BUDGETARY AND FINANCE COMMITTEE

REF: A. GENEVA AIRGRAM A-148, B. GENEVA 4707

1. BUDGETARY AND FINANCE COMMITTEE HAS COMPLETED CONSIDERATION OF AGENDA ITEM 10(A) - FINANCIAL OUTLOOK FOR 1977-1981 AND FINANCIAL ACTIVITIES DURING 1976. AS INDICATED IN REF B, NON-CONVERTIBLE CURRENCY ISSUE WAS HANDLED IN LOW-KEY FASHION; MAIN FOCUS WAS ON GUIDELINES FOR COST SHARING AND THIRD PARTY COST SHARING ARRANGEMENTS.

2. DURING DEBATE, MOST MEMBERS EXPRESSED CONCERN OVER LOW-LEVEL OF PROJECT EXPENDITURES IN 1976 AND FORECAST FOR 1977, ALTHOUGH RECOGNIZING THAT UNDP HAS BEEN PRUDENT IN LIGHT OF FINANCIAL CRISIS. ASSISTANT ADMINISTRATOR HEPPLING ALSO EXPLAINED THAT REPLENISHMENT OF OPERATIONAL RESERVE NATURALLY WOULD CUT INTO PROPOSED INCREASES IN PROJECT EXPENDITURES.

3. THE DISCUSSION ON NON-CONVERTIBLE CURRENCIES WAS DESULTORY. MOST WEO AND DEVELOPING COUNTRIES EXPRESSED GUARDED SATISFACTION
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OVER PROGRESS TO DATE AND WERE WILLING TO WAIT FOR FURTHER REPORT AT NEXT GC. USDEL MADE SOMEWHAT STRONGER STATEMENT (AIRGRAM A-148) BUT WAS SUPPORTED ONLY BY FRG. FOLLOWING IS TEXT OF DRAFT DECISION ADOPTED BY COMMITTEE (INTRODUCED BY US AND AMENDED AFTER CONSULTATIONS WITH USSR AND POLAND):

"TAKES NOTE OF THE ADMINISTRATOR'S ACTIONS TO UTILIZE ACCUMU-

LATED NON-CONVERTIBLE CURRENCIES AS CONTAINED IN DOCUMENTS DP/255 AND DP/266; AND ALSO NOTES WITH INTEREST THE REPORT OF THE ADMINISTRATOR TO THE COUNCIL ON HIS RECENT CONSULTATIONS IN A NUMBER OF EASTERN EUROPEAN COUNTRIES;

"EXTENDS ITS APPRECIATION TO THE ADMINISTRATOR FOR HIS EFFORTS TO RESOLVE THE PROBLEM IN ACCORDANCE WITH PREVIOUS GC DECISIONS;

"REAFFIRMS THE COMPREHENSIVE DECISION TAKEN BY THE 23RD GC AND ENCOURAGES ALL PARTIES CONCERNED TO CONTINUE THEIR EFFORTS TOWARD THIS END;

"SPECIFICALLY CALLS ON EXECUTING AGENCIES TO FACILITATE THE RECEIPT BY EXPERTS OF PORTIONS OF THEIR SALARIES IN ACCUMULATED NON-CONVERTIBLE CURRENCIES; AND REQUESTS A DETAILED REPORT ON THIS ASPECT OF THE ISSUE AT ITS NEXT SESSION COVERING THE PROGRESS ACHIEVED TO DATE IN RESOLVING THE PROBLEM AND PROGRESS MADE IN IMPLEMENTING THE PROVISIONS OF PREVIOUS COUNCIL DECISIONS ON THIS SUBJECT, INCLUDING DETAILS ON THE DISCUSSIONS HELD WITH THE SPECIALIZED AGENCIES AND OTHERS";

4. ON COST SHARING, THE COMMITTEE ADOPTED THE FOLLOWING TEXT:

"DECIDES THAT THE ADMINISTRATOR MAY ACCEPT COST SHARING
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ARRANGEMENTS AND THIRD PARTY COSTS SHARING ARRANGEMENTS GUIDED BY THE FOLLOWING PRINCIPLES:

"(I) COST SHARING ARRANGEMENTS AND THIRD PARTY COST SHARING ARRANGEMENTS MAY BE ACCEPTED FOR INDIVIDUAL PROJECTS OR, WITHOUT SPECIFIC PROJECT IDENTIFICATION, FOR COUNTRY PROGRAMMES IN ACCORDANCE WITH UNDP NORMAL PROCEDURES;

"(II) THE LEVEL OF COST SHARING ARRANGEMENTS THAT MAY BE ACCEPTED WITHOUT PRIOR APPROVAL OF THE GOVERNING COUNCIL IS LIMITED TO \$10 MILLION FOR THE FIVE YEARS 1977-1981, OR AN AMOUNT THAT WOULD RESULT IN THE TOTAL COUNTRY PROGRAMME BEING DOUBLE THE SIZE OF THE IPF ESTABLISHED FOR THE COUNTRY, WHICHEVER IS LARGER. PROPOSALS FOR A HIGHER PROPORTION OF COST SHARING ARRANGEMENTS SHOULD BE REFERRED TO THE CG FOR DECISION;

"(III) THE LEVEL OF THIRD PARTY COST SHARING ARRANGEMENTS THAT MAY BE ACCEPTED WITHOUT PRIOR APPROVAL OF THE GC IS LIMITED TO \$10 MILLION FOR THE FIVE YEARS 1977-1981, OR AN AMOUNT THAT WOULD BE EQUAL THE SIZE OF TWICE THE IPF ESTABLISHED FOR THE COUNTRY, WHICHEVER IS LARGER. PROPOSALS FOR

A HIGHER PROPORTION OF THIRD PARTY COST SHARING ARRANGEMENTS
SHOULD BE REFERRED TO THE GC FOR DECISION;

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(IV) WHEN CONSIDERING THIRD PARTY ARRANGEMENTS, IT SHALL
BE TAKEN INTO CONSIDERATION THAT CONTRIBUTIONS TO SUCH ARRANGE-
MENTS SHALL BE SEPARATE FROM VOLUNTARY CONTRIBUTIONS TO THE
GENERAL RESOURCES OF UNDP; THE LATTER SHALL NOT BE ALLOWED TO
BE DIVERTED FOR THIRD PARTY ARRANGEMENTS FROM THE OVERALL
RESOURCES OF THE PROGRAMME;

"(V) WITHIN THE ABOVE PRINCIPLES THE ANNUAL LEVEL OF THIRD
PARTY COST SHARING ARRANGEMENTS WHICH ANY DONOR COUNTRY MAY
ENTER INTO SHOULD BE RELATED TO ITS ANNUAL CONTRIBUTION TO
UNDP'S CENTRAL RESOURCES, THE EXACT SHARE TO BE ALLOWED TO BE
ESTABLISHED BY THE GC AT ITS NEXT SESSION;

"(VI) COUNTRIES PARTICIPATING IN COST SHARING AND THIRD
PARTY COST SHARING ARRANGEMENTS SHOULD, AS APPROPRIATE, AND
DISTINGUISHING AMONG VARIOUS SOURCES OF FINANCING, REIMBURSE
UNDP FOR ANY ADDITIONAL ADMINISTRATIVE COSTS RESULTING FROM
THEIR PARTICIPATION IN THE SCHEME OR MAKE PROVISION
FOR THE NECESSARY ASSISTANCE THROUGH AN ADMINISTRATIVE SUPPORT
PROJECT CHARGED TO COUNTRY PROGRAMME COSTS;

"REQUESTS THE ADMINISTRATOR TO REGULARLY REPORT ON COST
SHARING DEVELOPMENTS TO THE COUNCIL;
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"FURTHER REQUESTS THE ADMINISTRATOR TO PREPARE A COMPREHENSIVE SET OF RULES AND PROCEDURES COVERING COST SHARING AND THIRD PARTY COST SHARING AND TO CIRCULATE THEM PROVISIONALLY TO INTERESTED PARTIES, UNTIL THEY HAVE BEEN CONSIDERED BY THE GC AT ITS 25TH SESSION."

5. THE COMMITTEE ALSO CONSIDERED OTHER RELEVANT ITEMS UNDER AGENDA 10(A), E.G. REPLENISHMENT OF THE OPERATIONAL RESERVE, AMONG OTHERS, AND TOOK NOTE OF THESE DISCUSSIONS IN ITS REPORT (DOCUMENT DP.L.318/ADD. 7).SORENSEN

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